

BALL JANIK LLP

A T T O R N E Y S

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WASHINGTON, D.C. 20005

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LOUIS E. GITOMER
OF COUNSEL
(202) 466-6532

RECORDATION NO. 21062-CD

FILED

DEC 31 '98

1-40PM

lgitomer@bjllp.com

December 31, 1998

Honorable Vernon A. Williams
Secretary
Surface Transportation Board
Washington, DC 20423

Dear Secretary Williams:

I have enclosed two originals of each of the two documents described below, to be recorded pursuant to 49 U.S.C. § 11301.

The first document is an Assignment and Assumption Agreement, a secondary document, dated as of December 31, 1998. The primary document to which this is connected is recorded under Recordation No. 21062. We request that this document be recorded under Recordation No. 21062-C.

The names and addresses of the parties to the Assignment and Assumption Agreement are:

Assignor:

National Railway Equipment Co.
14400 South Robey
Dixmoor, IL 60426

Assignee:

The CIT Group/Equipment Financing, Inc.
1211 Avenue of the Americas, 20th Floor
New York, NY 10036

BALL JANIK LLP

Honorable Vernon A. Williams
December 31 1998
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A description of the equipment covered by the Assignment and Assumption Agreement consists of five locomotives numbered NREX 963, 2529, 2697, 9546, and 9547.

The second document is a Memorandum of Purchase Agreement, a secondary document, dated as of December 31, 1998. The primary document to which this is connected is recorded under Recordation No. 21062. We request that this document be recorded under Recordation No. 21062-D.

The names and addresses of the parties to the Memorandum of Purchase Agreement are:

Seller:

National Railway Equipment Co.
14400 South Robey
Dixmoor, IL 60426

Purchaser:

The CIT Group/Equipment Financing, Inc.
1211 Avenue of the Americas, 20th Floor
New York, NY 10036

A description of the equipment covered by the Memorandum of Purchase Agreement consists of five locomotives numbered NREX 963, 2529, 2697, 9546, and 9547.

A fee of \$52.00 is enclosed. Please return an original of each document to:

Louis E. Gitomer
Of Counsel
Ball Janik LLP
Suite 225
1455 F Street, N.W.
Washington, DC 20005

BALL JANIK LLP

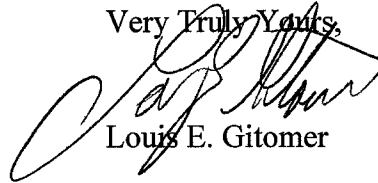
Honorable Vernon A. Williams

December 31 1998

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A short summary of the documents to appear in the index follows: (1) an Assignment and Assumption Agreement between National Railway Equipment Co., 14400 South Robey, Dixmoor, IL 60426, and The CIT Group/Equipment Financing, Inc., 1211 Avenue of the Americas, 20th Floor, New York, NY 10036; and (2) a Memorandum of Purchase Agreement between National Railway Equipment Co., 14400 South Robey, Dixmoor, IL 60426, and The CIT Group/Equipment Financing, Inc., 1211 Avenue of the Americas, 20th Floor, New York, NY 10036, both covering five locomotives numbered NREX 963, 2529, 2697, 9546, and 9547.

Very Truly Yours,

A handwritten signature in black ink, appearing to read "Louis E. Gitomer", is written over the typed name.

Louis E. Gitomer

Enclosures

RECORDATION NO. 21062-C FILED

DEC 31 '98

1-40PM

EXECUTION VERSION

ASSIGNMENT AND ASSUMPTION AGREEMENT

This ASSIGNMENT AND ASSUMPTION AGREEMENT dated as of December 31, 1998 (this "Agreement"), between NATIONAL RAILWAY EQUIPMENT CO., an Illinois corporation ("Assignor") and THE CIT GROUP/EQUIPMENT FINANCING, INC., a New York corporation ("Assignee").

WITNESSETH:

WHEREAS, Assignor and Assignee are parties to that certain Purchase Agreement dated as of the date hereof (as amended, modified or supplemented from time to time, the "Purchase Agreement"), wherein, inter alia, Assignor agrees to sell to Assignor certain locomotives leased to The Kansas City Southern Railway Co. ("Lessee") pursuant to that certain Locomotive Lease Agreement entered into as of October 17, 1997, as amended by Amendment #1 dated November 17, 1997 and Amendment #2 dated February 26, 1998 (collectively, together with any other schedules, supplements and amendments thereto, the "Lease") between Assignor as lessor and Lessee as lessee;

WHEREAS, the Lease pertains to the locomotives set forth on Schedule A attached hereto;

WHEREAS, the Lease was filed and recorded with the Surface Transportation Board as follows: Locomotive Lease Agreement entered into as of October 17, 1997, between Assignor as lessor and The Kansas City Southern Railway Co. as lessee, (covering Unit Numbers NREX 963 and 2697), which was filed with the Surface Transportation Board on December 15, 1997 at 9:59 a.m. under Recordation Number 21062, and Amendment #1, dated November 17, 1997, (covering Unit Numbers NREX 2529, 9546 and 9547) and Amendment #2, dated February 26, 1998, (covering Unit Numbers NREX 963, 2697, 2529, 9546 and 9547), which were filed with the Surface Transportation Board on December 29, 1998 at 3:00 p.m. under Recordation Numbers 21062-A and 21062-B, respectively;

WHEREAS, Assignor desires to transfer to Assignee all of its right, title and interest in, to and under the Lease; and

WHEREAS, with respect to the Lease, the Lessee is willing to execute and deliver to Assignee a Notice and Acknowledgment, substantially in the form of Annex 1 hereto.

NOW, THEREFORE, in consideration of the foregoing premises and the mutual covenants and agreements of the parties contained herein, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, Assignor and Assignee agree as follows:

Section 1. Definitions. Capitalized terms used herein without definition shall have the same meanings and the same rules of interpretation as in the Purchase Agreement.

Section 2. Transfer and Assumption. Assignor does hereby sell, assign and transfer to Assignee all of Assignor's present and future rights, obligations and interests in, to and under the Lease (the "Assignor's Interest"), and Assignee hereby accepts the Assignor's Interest from Assignor. Assignor and Assignee agree that such sale, assignment, transfer and acceptance is effective on the Closing Date (as defined below). Assignee agrees that, from and after the Closing Date, it shall be bound by all the terms of, and shall have assumed and undertaken to perform all the obligations of Assignor with respect to, the Assignor's Interest.

Section 3. Effect of Transfer. Upon the execution and delivery of this Agreement, Assignee shall be deemed the "Lessor" for all purposes of the Lease, and each reference in the Lease to "Lessor" shall thereafter be deemed to be Assignee, except with respect to Reserved Rights. Assignee expressly assumes hereunder all and any liability and obligation of Assignor accruing or arising under the Lease or in respect of the Equipment on and after the Closing Date and Assignor shall be released from any such liability and obligation accruing or arising after the Closing Date.

Section 4. No Third Party Benefit. The provisions of this Agreement are for the sole benefit of Assignor and Assignee and their respective successors and assigns, and are not for the benefit, directly or indirectly, of any other Person, except as expressly agreed by the other parties hereto.

Section 5. Notices. Any notices provided for in the Lease shall be delivered to Assignee at the following address or such other place as Assignee may designate in accordance with the Lease:

The CIT Group/Equipment Financing, Inc.
1211 Avenue of the Americas, 20th Floor
New York, NY 10036

Attention: Manager - Rail Group
Tel: 212-536-9319
Fax: 212-536-9397

Section 6. Headings. The headings of the Sections herein are for convenience of reference only and shall not define or limit any of the terms or provisions hereof.

Section 7. GOVERNING LAW. THIS AGREEMENT SHALL IN ALL RESPECTS BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK, INCLUDING ALL MATTERS OF CONSTRUCTION, VALIDITY AND PERFORMANCE, WITHOUT GIVING EFFECT TO PRINCIPLES OF CONFLICTS OF LAWS (OTHER THAN TITLE 14 OF ARTICLE 5 OF THE GENERAL OBLIGATIONS LAW).

Section 8. Execution in Counterparts. This Agreement and any amendments, waivers or consents hereto may be executed by Assignor and Assignee in separate counterparts (or upon separate signature pages bound together into one or more counterparts), each of which, when so executed and delivered, shall be an original, but all such counterparts shall together constitute one and the same instrument.


Section 9. Purchase Agreement. The rights and obligations of the parties hereto are subject to the terms and conditions of the Purchase Agreement.

Section 10. Recordation. Assignor hereby authorizes the recordation of this Agreement and hereby agrees to execute such further documentation as Assignee may reasonably request in order to carry out the purpose of this Agreement.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, Assignor and Assignee have caused this Assignment and Assumption Agreement to be duly executed and sealed as of the day and year first written above.

NATIONAL RAILWAY EQUIPMENT CO.,
as Assignor

By: 
Name: Patrick C. Frangella
Title: Vice President

THE CIT GROUP/EQUIPMENT
FINANCING, INC., as Assignee

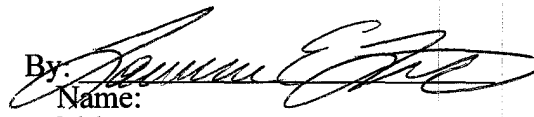
By: _____
Name: _____
Title: _____

IN WITNESS WHEREOF, Assignor and Assignee have caused this Assignment and Assumption Agreement to be duly executed and sealed as of the day and year first written above.

NATIONAL RAILWAY EQUIPMENT CO.,
as Assignor

By: _____
Name:
Title:

THE CIT GROUP/EQUIPMENT
FINANCING, INC., as Assignee

By: 
Name:
Title:
LAWRENCE E. LITTLEFIELD
VICE PRESIDENT

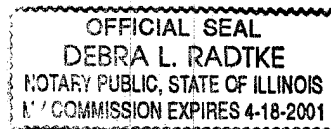
STATE OF Illinois)
) ss.:
COUNTY OF Will)

On this 31st day of December, 1998, before me personally appeared Patrick C. Frangella, to me personally known, who, being by me duly sworn, says that (s)he is Vice President of NATIONAL RAILWAY EQUIPMENT CO., that the foregoing instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and (s)he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Debra L. Radtke

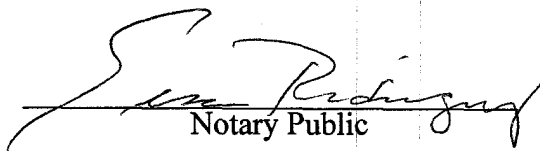
Notary Public

My commission expires 4-18-01.



STATE OF NEW YORK)
 : ss.:
COUNTY OF NEW YORK)

On this 30th day of December, 1998, before me personally appeared Larry Littlefield, to me personally known, who, being by me duly sworn, says that (s)he is Vice President of The CIT Group/Equipment Financing, Inc., that the foregoing instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and (s)he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.


Notary Public

My commission expires May 29, 2000.

ELSA RODRIGUEZ
Notary Public, State of New York
No. 4967228
Qualified in Nassau County
Certificate filed in New York County
Commission Expires May 29, 2000

FORM OF NOTICE AND ACKNOWLEDGMENT

_____, 19__

The Kansas City Southern Railway Co.
114 West Eleventh Street
Kansas City, Missouri 64105-1804
Attention: Mr. Eric R. Post
Vice President and CMO

Gentlemen:

Reference is hereby made to that certain Locomotive Lease Agreement entered into as of October 17, 1997 (together with all schedules, supplements and amendments thereto, the "Lease") between The Kansas City Southern Railway Co. ("Lessee") and National Railway Equipment Co. ("Seller") as Lessor.

This will advise you that Seller intends to (i) sell the locomotives subject to the Lease (collectively, the "Equipment") to The CIT Group/Equipment Financing, Inc. ("Purchaser") and (ii) assign to Purchaser all of its right, title and interest in and to the Lease, provided that the following rights (the "Reserved Rights"), shall not be assigned to Purchaser, and are retained by Seller: any right, title and interest of Seller in and to each and every indemnity or other payment on behalf of or in favor of Seller under the Lease to the extent such indemnity or other payment vests or relates to events occurring prior to the execution and delivery of the Transfer Documents (as defined below), and the right to payment of all indemnities and liability insurance proceeds which are now or hereafter payable to Seller for its own account as lessor under the Lease.

Purchaser agrees to be bound by all the terms of, and shall assume and undertake and perform all the obligations of Seller with respect to the Lease and the Equipment upon the execution and delivery of the Transfer Documents. Upon the execution and delivery on or about the date hereof of the following documents (collectively, the "Transfer Documents"), (i) a Purchase Agreement between Seller and Purchaser for the purchase and sale of the Equipment, (ii) an Assignment and Assumption Agreement between Seller and Purchaser in respect of the Lease and (iii) a Bill of Sale by Seller in favor of Purchaser in respect of the Equipment, Purchaser shall be the "Lessor" for all purposes of the Lease, and each reference in the Lease to "Lessor" shall thereafter be deemed to be Purchaser, except with respect to Reserved Rights. Purchaser expressly assumes hereunder all and any liability and obligation of Seller accruing or arising under the Lease and the Equipment upon the execution and delivery of the Transfer Documents and the Bill of Sale referred to above and Seller shall have no obligations accruing or arising under the Lease or in respect of the Equipment relating to the period on or after the execution and delivery of the Transfer Documents.

From and after the date hereof, Lessee:

(a) agrees that all of its indemnities under the Lease (including, without limitation, those under Sections 4 and 9 thereof) shall inure to the benefit of Purchaser as if named as an indemnified party thereunder;

(b) confirms that, with respect to the Equipment, Lessee maintains property insurance and public liability insurance in accordance with prudent railroad industry practices.

Lessee hereby represents and warrants for the benefit of Purchaser that, on and as of the date hereof: (a) no "event of default" under (and as defined in) the Lease has occurred and is continuing, (b) no rent or other amount payable under the Lease has been prepaid, (c) to the best of Lessee's knowledge, Lessee has no claims of any nature against Seller under or in connection with the Lease, (d) the lease rate per locomotive is US\$190.00 per day, (e) the expiration date of the Lease is March 1, 1999, (f) the Unit Nos. and types of locomotives are as described on Schedule 1 attached hereto, (g) the replacement values payable to Lessor in the event of loss of any of the locomotives are equal to the amounts listed on Schedule 1, (h) all locomotives are currently in operation and are not subject to casualty or event of loss or currently in need of repair due to a catastrophic failure of the crankshaft or the main generator / alternator and (i) the Equipment is free and clear of all liens, claims and encumbrances (other than as permitted by the Lease).

Seller and Purchaser hereby request, give notice and instruct Lessee that all rentals and other amounts payable pursuant to the Lease due and payable after the Closing Date of December 31, 1998 should be made to Purchaser or its assignee and forwarded to the following address:

The CIT Group/Equipment Financing, Inc.
1211 Avenue of the Americas, 20th Floor
New York, NY 10036
Attention: Manager - Rail Group.

If payments are made by wire transfer, all payments should be paid to the account of Purchaser at:

The Chase Manhattan Bank
640 Madison Avenue
New York, NY 10021
ABA No. 021-000-021
Account Name: The CIT Group/Equipment Financing, Inc.
Account No: 116-003855

From and after the date hereof all notices to be given to the "Lessor" under the Lease should be given to:

The CIT Group/Equipment Financing, Inc.
1211 Avenue of the Americas, 20th Floor
New York, NY 10036
Attention: Manager - Rail Group

This letter agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument. This letter agreement shall in all respects be governed by, and construed in accordance with, the laws of the state of New York, including all matters of construction, validity and performance, without giving effect to principles of conflicts of laws (other than Title 14 of Article 5 of the General Obligations Law).

[Remainder of Page Intentionally Left Blank]

Please execute this letter to confirm your acknowledgment and consent to the foregoing in the space provided below and return it to Purchaser at the above address.

Sincerely,

NATIONAL RAILWAY EQUIPMENT CO.

By: _____
Its: _____

THE CIT GROUP/EQUIPMENT FINANCING, INC.

By: _____
Its: _____

Acknowledged and Consented:

THE KANSAS CITY SOUTHERN RAILWAY CO.

By: _____
Its: _____

Schedule 1
to Notice and Acknowledgment [KCS]

<u>Unit No.</u>	<u>Type</u>	<u>Replacement Value (US\$)</u>
NREX 963	MP15AC	320,000
NREX 2697	MP15DC	250,000
NREX 2529	SW1500	200,000
NREX 9546	SW1500	200,000
NREX 9547	SW1500	200,000